



GET PAID ON TIME HOW TO PROTECT YOUR BUSINESS AGAINST LATE PAYMENTS

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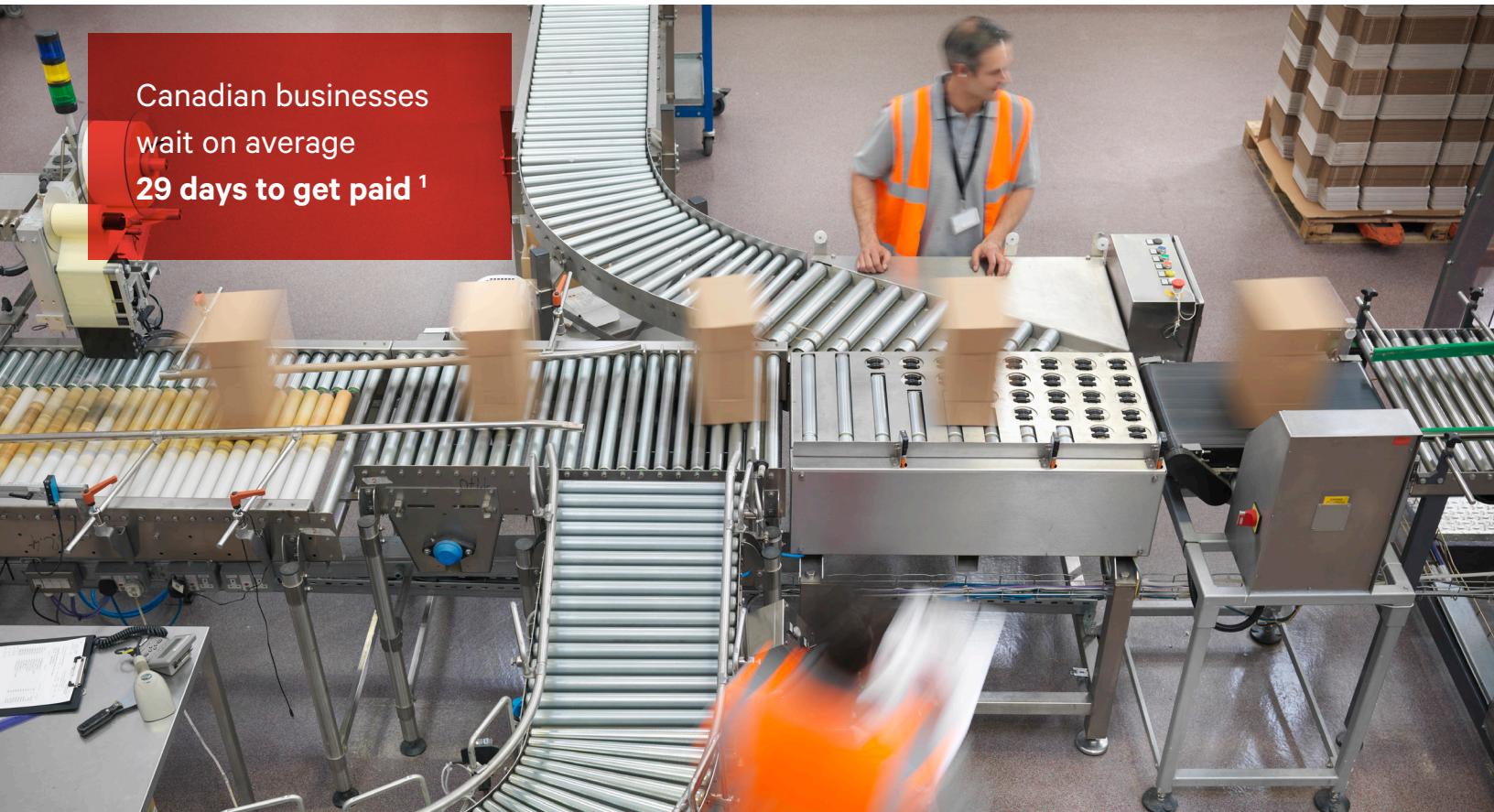
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THE IMPACT OF LATE PAYMENTS

In Canada, small and medium size enterprises (SMEs) are owed millions of dollars in unpaid money and many have lost track of exactly how much they are owed. Late payments cause a ripple effect throughout the supply chain and as consequence of not being paid on time, many businesses have to delay payments to their own suppliers. A recent survey shows that 89% of Canadian businesses experience late payment by their customers and nearly half of all invoices were paid past the due date.¹

Larger corporations often stretch out payment terms, which can mean weeks, months, or even longer before their suppliers get paid. If you are a small or medium size company, waiting to get paid can make it hard to cover costs and keep your business moving. In this quick 2-minute read, you'll learn ways to protect your business against late payments.



THE COST OF UNPAID INVOICES TO SMALL AND MEDIUM SIZE BUSINESSES

Businesses need capital to run day to day operations and unpaid invoices can stall the entrepreneurial engine. When your cash flow is tied up in the outstanding invoices for the goods and services you've already provided, it can affect your business and its growth:

- You may accrue late payment fees and endanger contracts if you are unable to pay your suppliers on time
- You may not be able to take advantage of discounts by paying your vendors and contractors early
- You may encounter challenges paying your employees on time

In addition to hindering business development, at worst, late customer payments can break a business.

¹ Atradius Payment Practices Barometer – The Americas, September 2017

THE 3 CLASSIC OPTIONS FOR DEALING WITH LATE PAYMENTS

1

Offer Prompt Payment Incentives

Although this may not work for every business model, payment incentives can sometimes encourage customers to pay more quickly. You could offer an early payment incentive, giving customers a discount on their invoices if they pay promptly or if they pay within a few days of receiving an invoice. However you structure payment incentives, make sure it works for your business instead of just becoming an additional discount for those customers who pay on time anyway.

2

Charge Interest on Late Payments

All business owners know what happens when you charge interest on late payments; it's essentially like a loan to your customers that you are still no closer to collecting on. By negotiating these terms in advance, you can dis-incentivize your customers from paying late to avoid the additional fees or charges. Late fees can help offset the damage done to your cash flow, but it doesn't resolve the immediate challenge you'll have in finding the money to tie you over until the customer finally pays. As a business claiming interest and pursuing clients for late payments, puts you in an uncomfortable position that does more damage than good to your client relationship which could result in less business or fewer orders over time.

3

Get a Line of Credit from a Bank

Even though you're waiting for your customers to pay, business doesn't stop. You need to keep moving and keep your employees working and you need cash to do it. A line of credit from a traditional financial institution like your bank, which comes with interest on the funds and sometimes an annual fee, can provide the needed emergency cash to keep your business funded in uneasy times. However, getting a line of credit from a bank can be difficult and time consuming or even impossible for new businesses. If you don't already have strong cash flow, assets and a great credit score, banks typically deny businesses that are not in this well-established position.

THERE ARE ALTERNATIVES THAT CAN BE THE RIGHT SOLUTION FOR YOUR BUSINESS – THE FACTORING FACTS

1 Focus on running your business, not on chasing payments

Factoring or accounts receivable financing is an alternative option for dealing with late payments and keeping your cash flow as healthy as possible. With factoring, you get paid right away for your invoices by your financial services company which then collects payment from your clients, you'll have more control over your business' finances because of the reporting provided which allows you to clearly focus on running and developing your business.

2 Prepare for Upcoming Demand

Getting paid early will provide the capital your business needs to negotiate discounts with your suppliers and allows you to take on larger orders as you are able to source and pay for the materials you require. For businesses experiencing fast growth or an increase in demand, factoring is a source of additional funding to meet business needs.

3 Funding adapts to your business

In Canada, factoring is an often overlooked, but good funding solution for new and growing companies or those experiencing seasonal demand, as the amount of funding grows and adapts with sales. Factoring improves cash flow and frees up management time to focus on running and developing the business. And with the right lender, you can get the capital you need when you need it.



OUR PRODUCTS AND SERVICES

We help businesses unlock the working capital they require to meet their needs, including cash flow funding, new equipment purchase, growth and expansion, refinancing, corporate restructuring and mergers and acquisitions.

Our range of financing options include:

- Factoring
- Invoice Discounting
- Transportation Finance
- Asset Based Lending:
 - Accounts Receivable
 - Equipment
 - Inventory
 - Real Estate



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